

Long Range Financial Strategies

Board of Selectmen
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Overview

- Long Range Forecast: Brief Summary
- Discuss Financial Strategies for FY2014 and Beyond
- Arrive at Policy Goals

Overview

- Successes in FY2013
 - Another successful balanced budget
 - Includes some strategic investment
 - 1.5% increase in tax levy-building excess capacity into levy base
 - Attained 5% Stabilization Fund goal
 - Free Cash Certification (\$3,265,650)
 - Maintained Pension Fund schedule
 - A modest start on OPEB liability

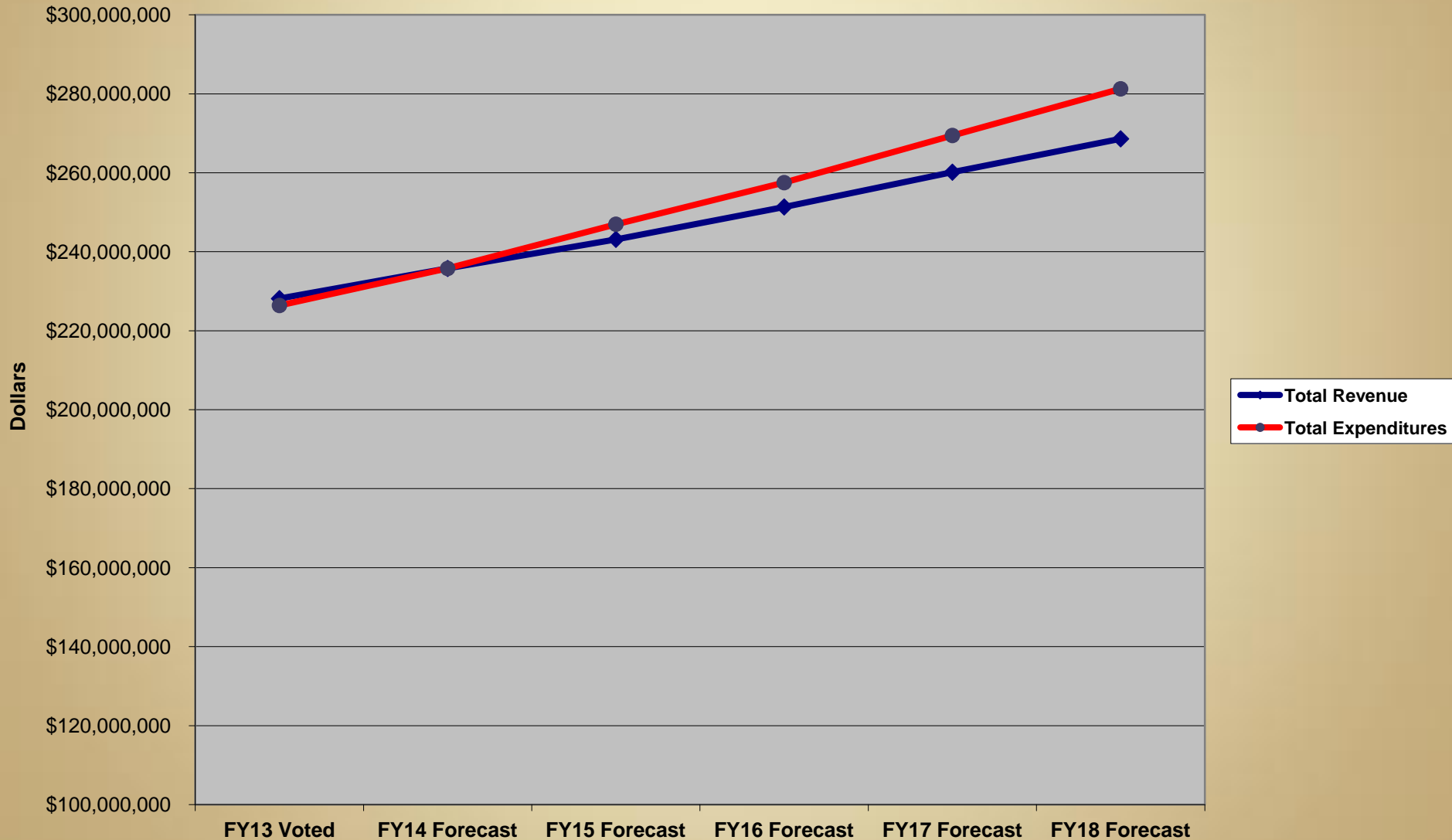
Forecast Summary

FY2014 - FY2018 Projected Budget Expenditures and Revenues

	FY13 Voted	FY14 Forecast	FY15 Forecast	FY16 Forecast	FY17 Forecast	FY18 Forecast
Revenue						
Property Taxes	\$166,620,642	\$171,670,158	\$176,881,272	\$182,305,406	\$187,935,291	\$193,770,258
State Aid	\$40,574,408	\$42,913,327	\$45,146,679	\$47,555,841	\$50,480,637	\$53,600,227
Local Receipts	\$15,572,887	\$15,839,468	\$16,166,391	\$16,526,985	\$16,767,082	\$16,221,105
Enterprise Indirect Trnsfr	\$2,722,679	\$2,804,360	\$2,888,490	\$2,975,145	\$3,064,399	\$3,186,975
Free Cash	\$2,588,060	\$2,479,390	\$2,000,000	\$1,920,000	\$1,840,000	\$1,760,000
Parking Tickets	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Miscellaneous	\$5,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total Revenue	\$228,133,676	\$235,771,702	\$243,147,831	\$251,348,378	\$260,152,409	\$268,603,565
Revenue Growth Rate	4.6%	3.3%	3.1%	3.4%	3.5%	3.2%
Expenditures						
Municipal Departments	\$51,169,305	\$52,923,215	\$54,743,026	\$56,558,021	\$58,407,590	\$60,088,712
School Departments	\$105,031,098	\$109,683,737	\$114,616,044	\$119,562,247	\$124,683,631	\$130,082,900
Insurances	\$37,162,622	\$39,931,407	\$42,259,016	\$44,928,007	\$47,908,162	\$50,745,720
Retirement(Inc. OPEB)	\$12,279,651	\$12,149,785	\$12,107,010	\$12,730,342	\$13,383,261	\$14,066,722
Debt Service	\$10,444,271	\$10,780,076	\$14,897,230	\$15,064,209	\$16,123,645	\$17,062,620
Stabilization/Reserves	\$3,314,656	\$3,410,325	\$795,630	\$845,630	\$895,630	\$945,630
Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0
Non Appropriations	\$6,997,667	\$7,111,157	\$7,552,133	\$7,820,700	\$8,045,377	\$8,274,469
Total Expenditures	\$226,399,270	\$235,771,702	\$246,970,088	\$257,509,156	\$269,447,296	\$281,266,773
Expenditure Growth Rate	3.8%	4.1%	4.7%	4.3%	4.6%	4.4%
Projected Balance	1,734,406	0	(3,822,256)	(6,160,778)	(9,294,887)	(12,663,208)

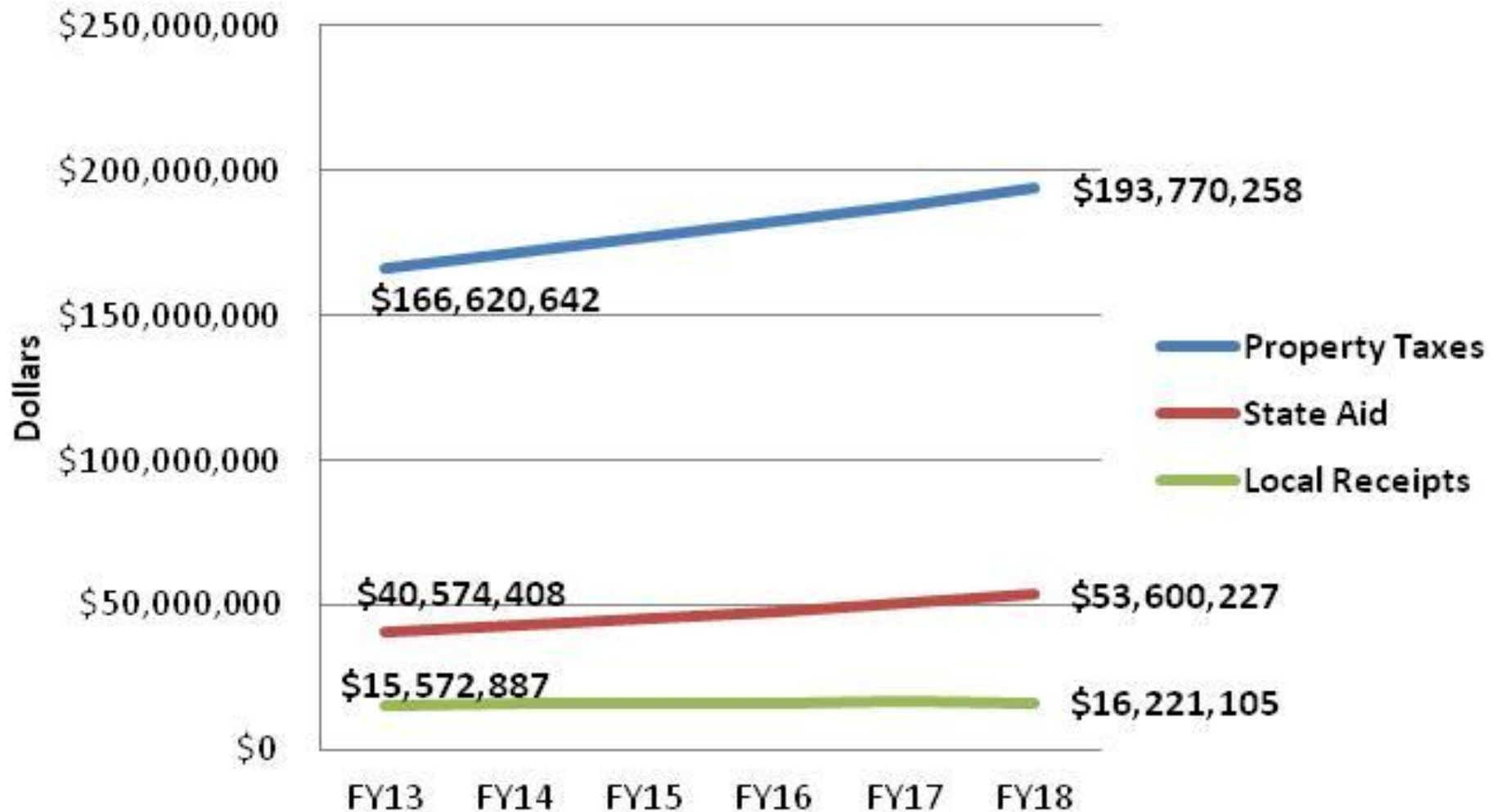
Forecast Summary

Spending and Revenue Trends FY13 to FY18



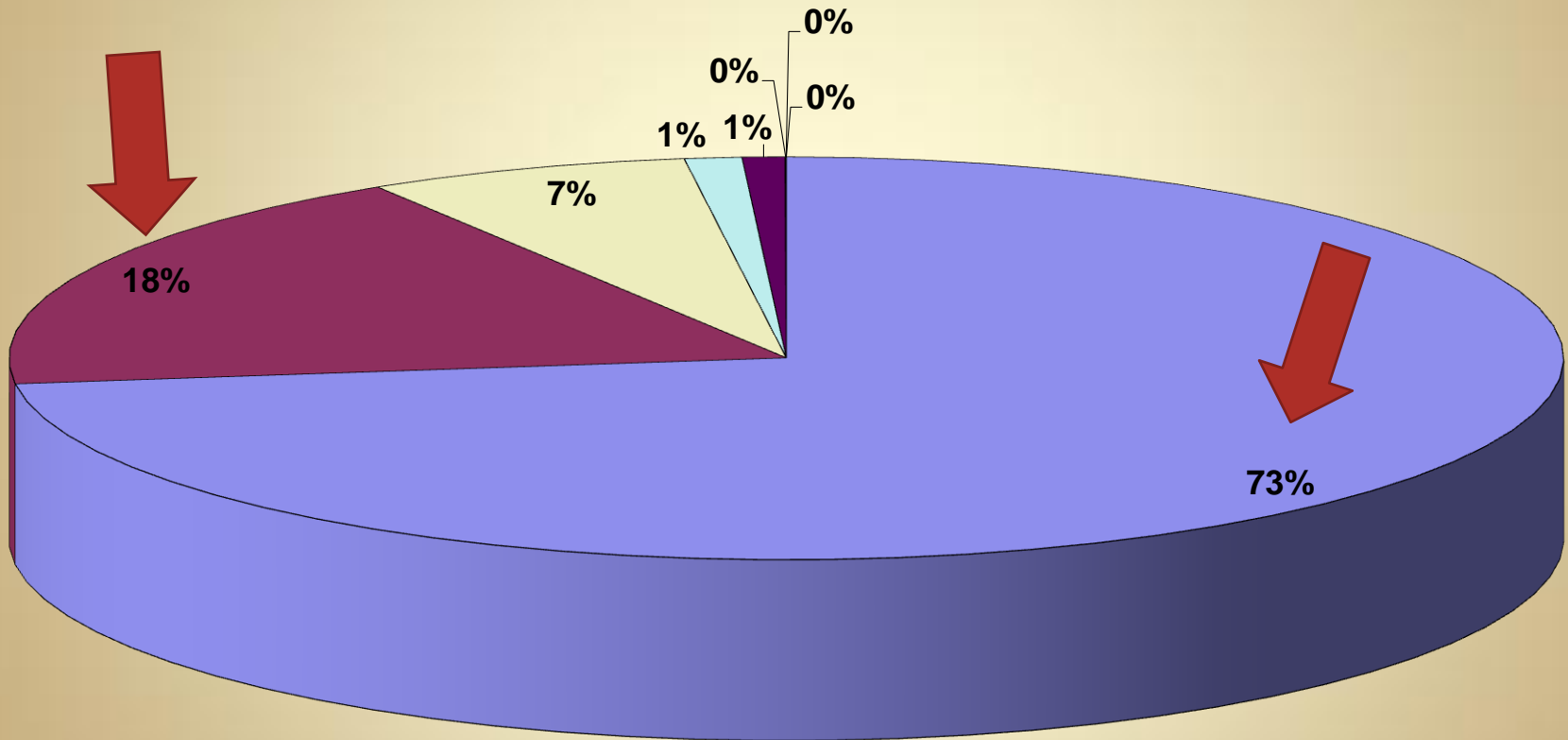
Revenue Growth

Trend of Major Revenue Sources FY13 - FY18



Revenue Growth

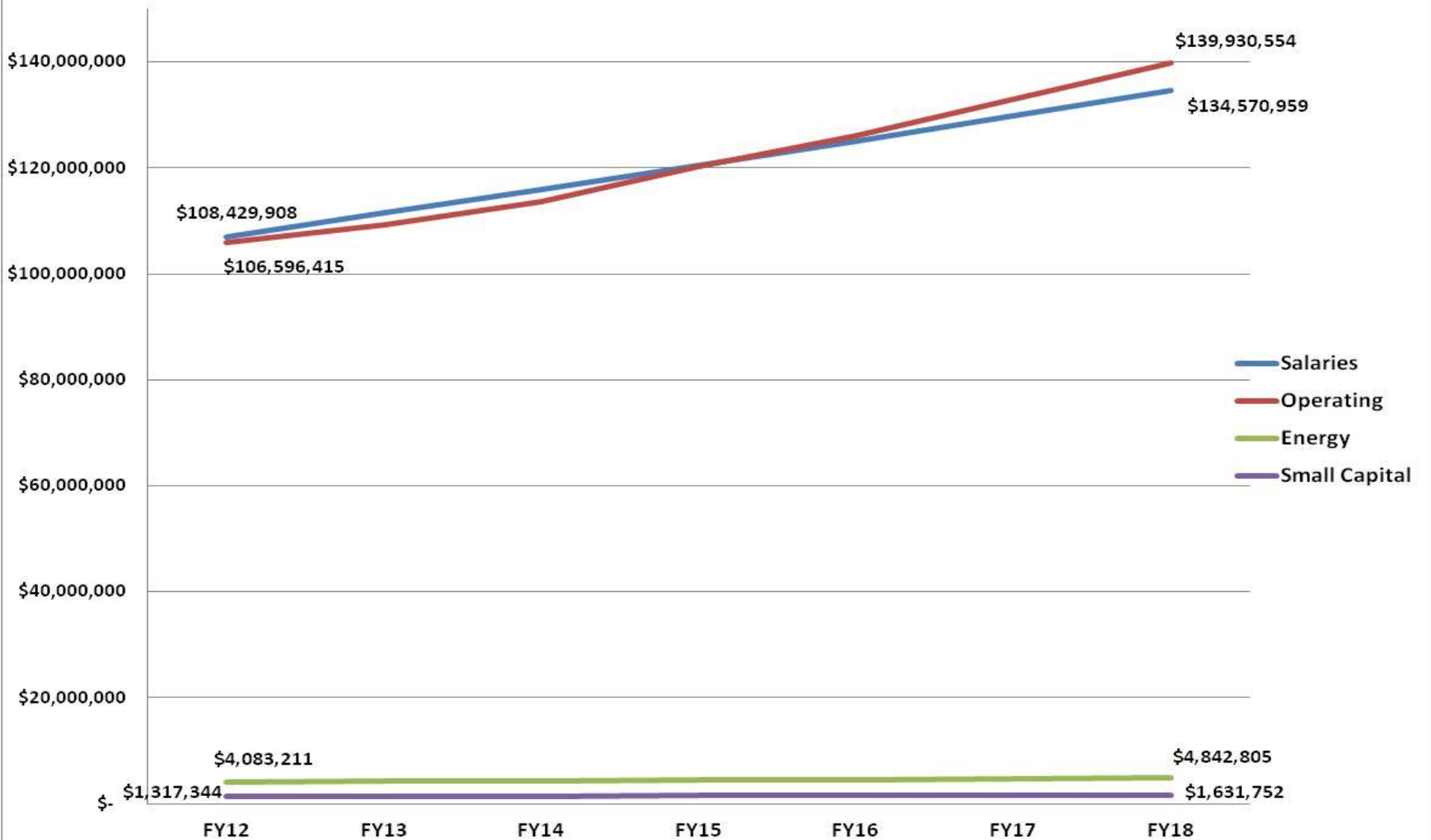
FY14 Revenue by Type



■ Property Taxes ■ State Aid ■ Local Receipts ■ Enterprise ■ Free Cash ■ Parking Tickets ■ Stabilization ■ Miscellaneous

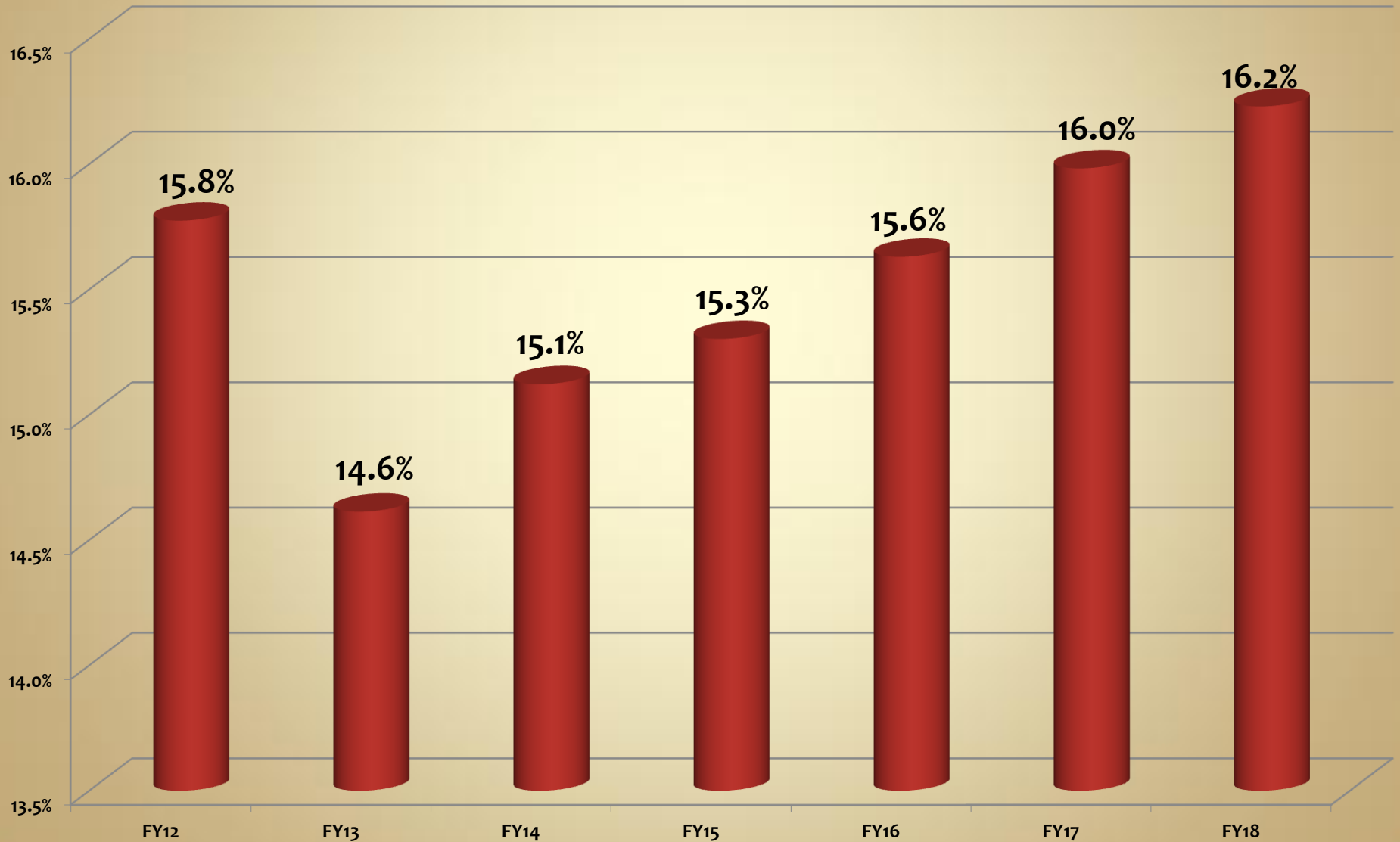
Expenditure Growth

Growth in Spending by Category



Budget “Busters”

Health Insurance as a % of Total Spending



Use of Free Cash

- Moody's review of June 2012 cited that the continued use of free cash as a recurring revenue source for the annual operating budget is a weakness
- The completion of the Stabilization Fund 5% goal makes the room and meal tax revenue available to replace free cash as a recurring revenue source
 - Offset free cash used in Operating budget with room and meals tax
 - We would be replacing a non-recurring revenue source with a recurring revenue source

Use of Free Cash

- This forecast phases out the use of free cash in \$200,000 increments
 - This pattern would continue until FY21
 - This provides more funding for capital and OPEB

Revenue Type	FY13	FY14	%	FY15	%	FY16	%	FY17	%	FY18	%
Certified Free Cash	\$3,313,433	\$3,265,650	-1%	\$2,600,000	-20%	\$2,600,000	0.0%	\$2,600,000	0.0%	\$2,600,000	0%
Operating	\$1,500,000	\$1,300,000	-13%	\$1,100,000	-15%	\$900,000	-18%	\$700,000	-22%	500,000	-29%
Capital	\$362,687	\$393,130	8%	\$300,000	-24%	\$340,000	13%	\$380,000	12%	\$420,000	11%
Stabilization	\$725,373	\$589,695	-19%	\$375,000	-36%	\$425,000	13%	\$475,000	12%	\$525,000	11%
OPEB Trust Fund	\$0	\$196,565	100%	\$225,000	14%	\$255,000	13%	\$285,000	12%	\$315,000	11%
Total Used in Budget	\$2,588,060	\$2,479,390	-4%	\$2,000,000	-19%	\$1,920,000	-4%	\$1,840,000	-4%	\$1,760,000	-4%

Stabilization Fund

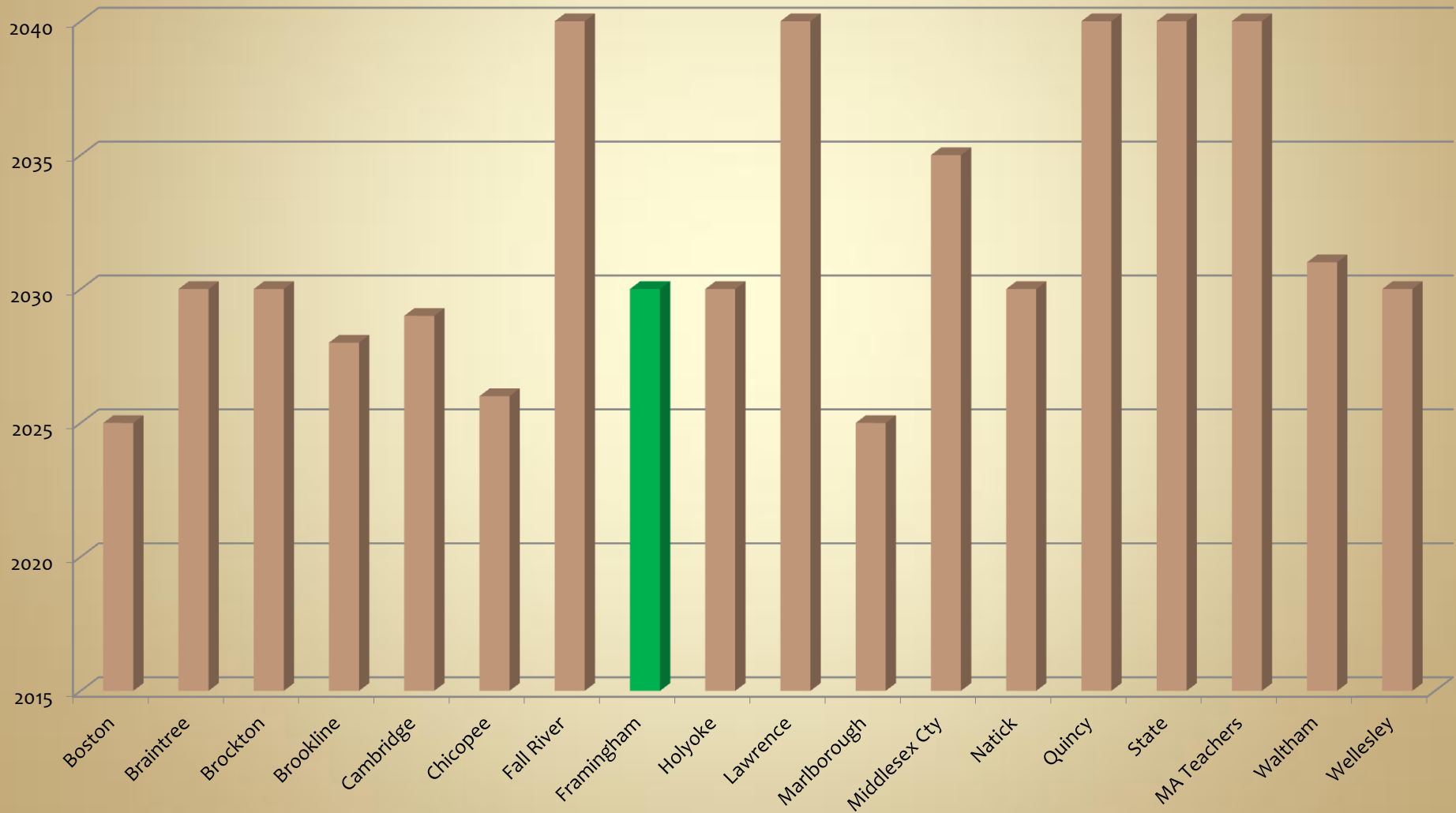
	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Voted/Projected Budget	\$219,331,566	\$227,311,902	\$235,771,702	\$246,970,088	\$257,509,156	\$269,447,296	\$281,266,773
5% Target	\$10,966,578	\$11,365,595	\$11,788,585	\$12,348,504	\$12,875,458	\$13,472,365	\$14,063,339
Free Cash+Room&Meals Tax FY12/13 Free Cash only FY14-18	\$1,461,086	\$2,236,727	\$589,695	\$375,000	\$425,000	\$475,000	\$525,000
Additional Revenue Fall STM		\$210,000					
Room and Meals Tax needed				\$16,180	\$101,953	\$121,907	\$65,974
New Balance	\$8,920,903	\$11,367,630	\$11,957,325	\$12,348,505	\$12,875,458	\$13,472,365	\$14,063,339
Excess/shortfall	(\$2,045,676)	\$2,035	\$168,740	\$0	\$0	\$0	\$0
Percentage	4.1%	5.0%	5.1%	5.0%	5.0%	5.0%	5.0%

Unfunded Liabilities: Pension

- Pension Fund recovering from Great Recession
 - Fund losses fared better than most
 - FRS dropped from 75.5% to 67.3% funded
 - Wellesley dropped from 102% to 86.7% funded
- 2012 Funding schedule kept commitment to fund the pension liability by 2030 versus extending the schedule
 - A number of comparable communities preferred to extend the time frame, costing millions
- This saves the Town \$4.6 million

Unfunded Liabilities: Pensions

Year Fully Funded

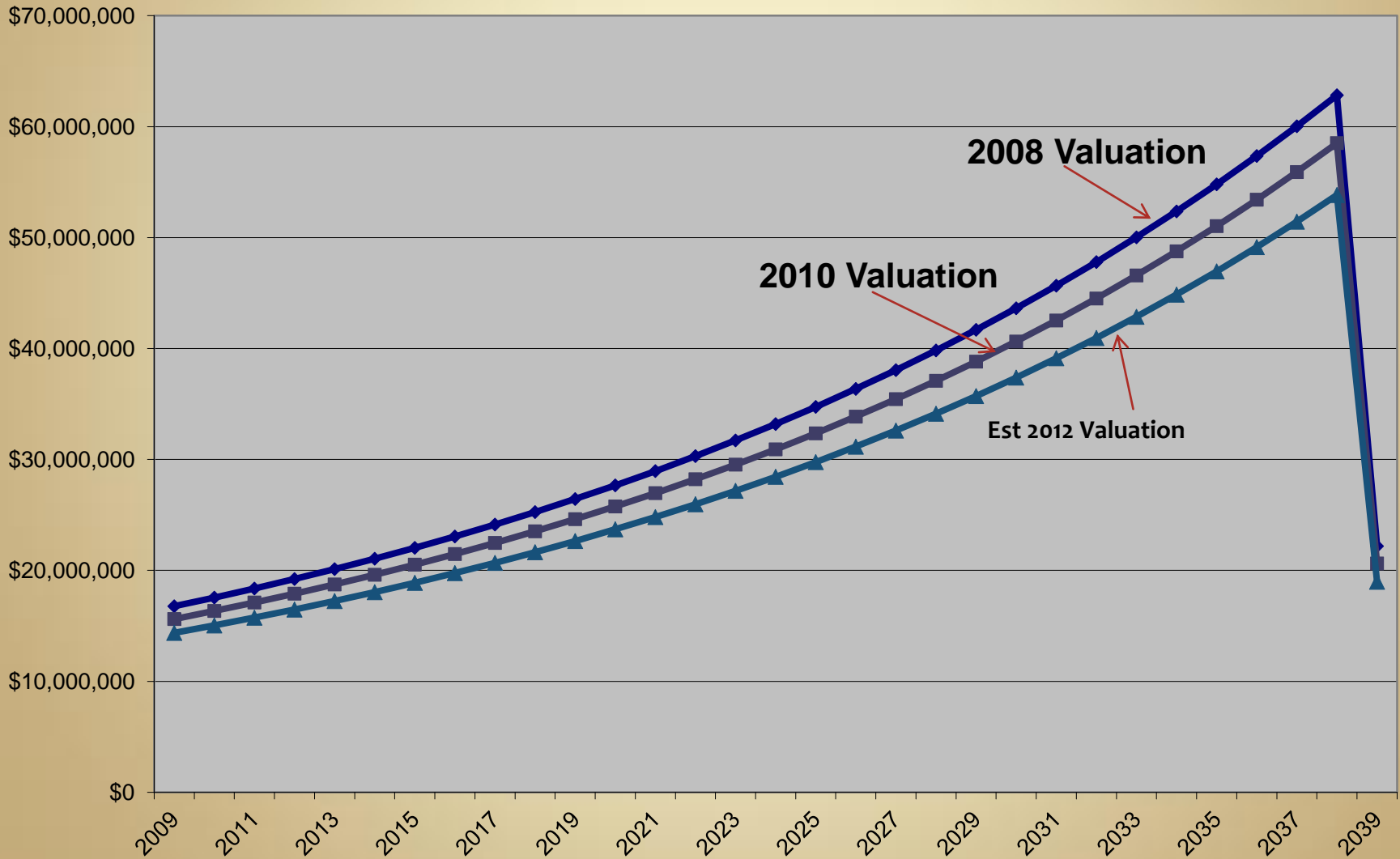


Unfunded Liabilities: OPEB

- Created an Irrevocable Trust at 2012 Annual Town Meeting
 - Allows the Town to record the higher discounted valuation
 - Record a liability of \$202 million vs. \$371 million
- Added \$1.5 million to the Trust fund
 - Any funding allocated to Trust is counted as a plan asset and reduces the liability we have to record on the financial statements
 - Investment returns stay within the Trust and also reduce the overall liability we have to record in financial statements
- Imperative to keep reducing the total cost and the Town's cost of health insurance

Unfunded Liabilities: OPEB

OPEB Funding Schedules over Time



Goals & Strategies Looking Ahead

- Reduce over time the use of Free Cash to fund recurring budget expense
- Increase our funding of OPEB expense
- Create opportunity for “strategic, prioritized rebuilding”
- Redirect Hotel/Meals tax to support the above
- Assure capacity within our principal/interest (debt service) budget to tackle upcoming capital needs